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# China Report

## ECONOMIC AFFAIRS

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# CHINA REPORT

## ECONOMIC AFFAIRS

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AGGREGATE ECONOMIC DATA

FUJIAN 1985 FIRST QUARTER INDUSTRIAL STATISTICS

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 5, 5 May 85 pp 61-62

[Statistical tables compiled by Fujian Province Statistical Bureau]

[Text]

Table 1. Industrial Production of Fujian, 1st Quarter 1985

| | Unit | Amount | Compared with same period last year (%) |
|---|---|---|---|
| 1. Gross value of industrial output | 100 million yuan | 34.72 | 136.7 |
| Of light industry | - do - | 24.11 | 141.7 |
| Of heavy industry | - do - | 10.61 | 126.8 |
| 2. Output of major products | | | |
| Sugar | 10,000 t | 39.77 | 140.9 |
| Raw salt | - do - | 4.65 | 54.8 |
| Cigarettes | 10,000 boxes | 11.68 | 130.8 |
| Beer | 10,000 t | 0.27 | 128.6 |
| Canned goods | - do - | 5.25 | 158.6 |
| Machine-made paper and cardboard | - do - | 7.43 | 122.2 |
| Bicycles | 10,000 | 10.9 | 150.1 |
| Sewing machines | 10,000 | 1.75 | 87.9 |
| Television sets | 10,000 | 17.62 | 195.3 |
| Tape recorders | 10,000 | 9.22 | 4.2-fold |
| Household washing machines | 10,000 | 0.97 | 5.7-fold |
| Electric fans | 10,000 | 7.77 | 2.5-fold |
| Home refrigerators | 10,000 | 1.11 | 10.1-fold |
| Chemical fiber cloth | 10,000 t | 0.29 | 5.8-fold |
| Yarn | - do - | 0.88 | 135.4 |
| Cotton cloth | 100 mill. m | 0.34 | 130.8 |
| Silk fabrics | 10,000 m | 293 | 108.4 |
| Woolen yarn | ton | 449 | 141.1 |

| [Table 1, continued] | Unit | Amount | % |
|---|---|---|---|
| Fine aluminumware for daily use | ton | 600.24 | 63.8 |
| Plastic goods | 10,000 t | 2.12 | 124.0 |
| Lightbulbs | 10,000 | 1244.83 | 113.2 |
| Raw coal | 10,000 t | 128.17 | 103.3 |
| Electric power | 100 mill. kWh | 15.4 | 113.3 |
| Of this: hydroelec. | - do - | 10.29 | 162.0 |
| Pig iron | 10,000 t | 9.14 | 132.5 |
| Steel | - do - | 7.67 | 128.7 |
| Steel products | - do - | 6.68 | 121.5 |
| Locomotive coke | - do - | 5.30 | 101.7 |
| Sulfuric acid | - do - | 2.16 | 78.5 |
| Caustic soda | - do - | 1.41 | 115.0 |
| Synthetic ammonia | - do - | 9.26 | 118.1 |
| Chemical fertilizer | - do - | 7.31 | 111.4 |
| Agricultural chemicals | - do - | 0.10 | 62.5 |
| Chem. pharmaceuticals | ton | 101.22 | 163.0 |
| Inner and outer tires | 10,000 | 4.85 | 105.9 |
| Plastics | 10,000 t | 0.85 | 106.3 |
| Timber | 10,000 cu m | 49.92 | 53.9 |
| Plywood board | - do - | 1.59 | 134.7 |
| Rosin | 10,000 t | 0.21 | same |
| Cement | - do - | 63.00 | 145.5 |
| Plate glass | 10,000 boxes, standard | 30.38 | 93.2 |
| Alternators | 10,000 kW | 10.63 | 84.0 |
| Walking tractors | 10,000 | 0.51 | 113.3 |
| Internal-combustion engines | 10,000 hp | 20.20 | 2.0-fold |
| Microcomputers | pc | 734 | 3.7-fold |
| Pocket calculators | 10,000 | 62.26 | 2.8-fold |

Table 2. Commercial Purchases and Sales in Fujian, 1st Quarter 1985

| | Unit | Amount | Compared with same period last year (%) |
|---|---|---|---|
| 1. Retail sales of social commodities | 100 million yuan | 24.13 | 134.4 |
| Of these: consumer goods | - do - | 22.23 | 138.5 |
| 2. Sales of major commodities by state-run commerce | | | |
| Pigs and pork | 10,000 head | 60.19 | 99.96 |
| Fresh eggs | 10,000 dan | 8.68 | 115.97 |

| [Table 2, continued] | Unit | Amount | % |
|---|---|---|---|
| Aquatic products | 10,000 t | 1.54 | 49.5 |
| Sugar | - do - | 6.12 | 131.2 |
| Wine/liquor | - do - | 2.22 | 107.1 |
| Cotton cloth | 10,000 m | 2065.59 | 113.1 |
| Mixed cotton-synthetic cloth | 10,000 m | 1845.22 | 93.7 |
| Chemical fiber cloth | - do - | 809.47 | 111.2 |
| Shirts/undershirts | 10,000 pcs | 167.04 | 114.4 |
| Rubber boots | 10,000 pairs | 622.58 | 125.9 |
| Matches | 10,000 prs | 13.01 | 71.9 |
| Soap | 10,000 boxes | 42.13 | 139.0 |
| Sewing machines | 10,000 | 8.61 | 153.3 |
| Transistor radios | 10,000 | 7.08 | 105.9 |
| Television sets | 10,000 | 7.89 | 156.0 |
| Bicycles | 10,000 | 15.63 | 125.5 |
| 3. Net domestic purchases by state-run commerce | 100 million yuan | 17.65 | 126.9 |
| 4. Major commodities purchased by state-run commerce | | | |
| Pigs and pork | 10,000 head | 57.03 | 103.7 |
| Fresh eggs | 10,000 dan | 5.94 | 72.6 |
| Aquatic products | 10,000 t | 1.82 | 55.6 |
| Sugar | - do - | 34.74 | 157.1 |
| Wine/liquor | - do - | 1.46 | 77.2 |
| Cotton cloth | 10,000 m | 786.16 | 133.4 |
| Mixed cotton-synthetic cloth | 10,000 m | 804.61 | 151.3 |
| Chemical fiber cloth | - do - | 343.48 | 140.4 |
| Shirts/undershirts | 10,000 | 189.20 | 45.2 |
| Rubber boots | 10,000 pairs | 300.01 | 126.2 |
| Matches | 10,000 | 17.68 | 101.7 |
| Soap | 10,000 boxes | 15.96 | 90.4 |
| Sewing machines | 10,000 | 3.40 | 196.7 |
| Transistor radios | 10,000 | 1.90 | 42.1 |
| Television sets | 10,000 | 9.26 | 119.7 |
| Bicycles | 10,000 | 7.13 | 143.7 |

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AGGREGATE ECONOMIC DATA

FUJIAN 1985 SEMIANNUAL INDUSTRIAL STATISTICS

Fujian FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 8, 5 Aug 85 pp 61-61

[Statistical tables compiled by Fujian Statistical Bureau]

[Text]

Table 1. Industrial Production of Fujian, 1st Half 1985

| | Unit | Amount | Compaired with same period last year (%) |
|---|---|---|---|
| 1. Gross value of industrial output | 100 million yuan | 70.22 | 132.8 |
| Of light industry | - do - | 45.94 | 136.9 |
| Of heavy industry | - do - | 24.28 | 125.6 |
| 2. Output of major products: | | | |
| Sugar | 10,000 t | 40.49 | 140.6 |
| Raw salt | - do - | 13.44 | 120.1 |
| Cigarettes | 10,000 boxes | 21.36 | 119.9 |
| Beer | 10,000 t | 1.57 | 174.4 |
| Canned goods | - do - | 7.19 | 148.2 |
| Machine-made paper and cardboard | - do - | 16.76 | 115.6 |
| Bicycles | 10,000 | 22.53 | 133.8 |
| Sewing machines | 10,000 | 6.34 | 138.4 |
| Television sets | 10,000 | 33.56 | 152.3 |
| Tape recorders | 10,000 | 19.89 | 4.4-fold |
| Household washing machines | 10,000 | 2.31 | 3.2-fold |
| Electric fans | 10,000 | 21.83 | 2.1-fold |
| Home refrigerators | 10,000 | 1.99 | 4.9-fold |
| Chemical fiber | 10,000 t | 0.76 | 155.1 |
| Yarn | - do - | 1.99 | 125.9 |
| Cotton cloth | 100 mill. m | 0.73 | 117.7 |
| Silk fabrics | 10,000 m | 646 | 108.2 |
| Woolen yarn | ton | 913 | 133.5 |

| [Table 1, continued] | Unit | Amount | % |
|---|---|---|---|
| Fine aluminumware for daily use | ton | 1233.51 | 122.4 |
| Plastic goods | 10,000 t | 4.82 | 118.4 |
| Lightbulbs | 10,000 | 2701.86 | 116.6 |
| Raw coal | 10,000 t | 272.3 | 104.4 |
| Electric power | 100 mill. kWh | 35.38 | 115.8 |
| Of this: hydroelec. | - do - | 25.22 | 121.2 |
| Pig iron | 10,000 t | 18.95 | 114.0 |
| Steel | - do - | 15.69 | 110.3 |
| Steel products | - do - | 13.76 | 110.3 |
| Locomotive coke | - do - | 10.54 | 101.4 |
| Sulfuric acid | - do - | 5.69 | 86.0 |
| Caustic soda | - do - | 3.20 | 109.2 |
| Synthetic ammonia | - do - | 21.99 | 109.8 |
| Chemical fertilizer | - do - | 17.03 | 106.7 |
| Agricultural chemicals | - do - | 0.26 | 68.4 |
| Chem. pharmaceuticals | ton | 263.41 | 170.2 |
| Inner and outer tires | 10,000 | 12.02 | 109.6 |
| Plastics | 10,000 t | 1.96 | 107.7 |
| Timber | 10,000 cu m | 150.96 | 79.7 |
| Plywood board | - do - | 3.92 | 117.7 |
| Rosin | 10,000 t | 0.60 | 153.8 |
| Cement | - do - | 132.71 | 126.7 |
| Plate glass | 10,000 boxes, standard | 60.77 | 99.3 |
| Alternators | 10,000 kW | 24.15 | 78.0 |
| Walking tractors | 10,000 | 1.10 | 117.0 |
| Internal-combustion engines | 10,000 hp | 43.43 | 182.4 |
| Microcomputers | pc | 1244 | 127.2 |
| Pocket calculators | 10,000 | 93.89 | 2.2-fold |

Table 2. Commercial Purchases and Sales in Fujian, 1st Half 1985

| | Unit | Amount | Compared with same period last year (%) |
|---|---|---|---|
| 1. Retail sales of social commodities | 100 million yuan | 47.30 | 129.8 |
| Of these: consumer goods | -do- | 41.69 | 133.7 |
| 2. Sales of major commodities by state-run commerce: | | | |
| Pigs and pork | 10,000 head | 96.02 | 81.3 |
| Fresh eggs | 10,000 dan | 1376.45 | 96.2 |
| Aquatic products | 10,000 t | 3.10 | 53.1 |
| Sugar | -do- | 10.22 | 121.6 |
| Wine/liquor | -do- | 4.95 | 103.7 |

| [Table 2, continued] | Unit | Amount | % |
|---|---|---|---|
| Cotton cloth | 10,000 m | 4062.13 | 119.0 |
| Mixed cotton-synthetic cloth | -do- | 4754.57 | 107.7 |
| Chemical fiber cloth | -do- | 1315.54 | 114.7 |
| Shirts/undershirts | 10,000 | 1385.75 | 113.8 |
| Rubber boots | 10,000 pairs | 743.24 | 126.0 |
| Matches | 10,000 pcs | 20.04 | 57.0 |
| Soap | 10,000 boxes | 65.70 | 100.4 |
| Laundry detergents | 10,000 t | 0.42 | 109.6 |
| Sewing machines | 10,000 | 12.94 | 139.9 |
| Transistor radios | 10,000 | 11.54 | 97.2 |
| Watches | 10,000 | 69.71 | 200.9 |
| Television sets | 10,000 | 15.25 | 153.8 |
| Bicycles | 10,000 | 27.96 | 122.3 |
| Electric fans | 10,000 | 22.35 | 197.9 |
| Refrigerators | pc | 12376 | 525.7 |
| Washing machines | 10,000 | 2.74 | 233.9 |
| 3. Net domestic purchases by state-run commerce | 100 million yuan | 33.70 | 128.4 |
| 4. Major commodities purchased by state-run commerce | | | |
| Pigs and pork | 10,000 head | 82.95 | 80.4 |
| Fresh eggs | 10,000 dan | 1095.61 | 67.6 |
| Acquatic products | 10,000 t | 4.49 | 67.9 |
| Sugar | -do- | 34.84 | 138.5 |
| Wine/liquor | -do- | 3.89 | 86.3 |
| Cotton cloth | 10,000 m | 1921.45 | 129.7 |
| Mixed cotton-synthetic cloth | 10,000 m | 2228.85 | 140.2 |
| Chemical fiber cloth | -do- | 648.33 | 132.8 |
| Shirts/undershirts | 10,000 | 753.10 | 67.9 |
| Rubber boots | 10,000 pairs | 603.48 | 127.5 |
| Matches | 10,000 pcs | 35.39 | 96.1 |
| Soap | 10,000 boxes | 41.96 | 84.4 |
| Laundry detergent | 10,000 t | 0.10 | 73.8 |
| Sewing machines | 10,000 | 6.92 | 234.9 |
| Transistor radios | 10,000 | 3.67 | 37.7 |
| Watches | 10,000 | 38.79 | 239.4 |
| Television sets | 10,000 | 21.77 | 128.7 |
| Bicycles | 10,000 | 14.23 | 130.1 |
| Electric fans | 10,000 | 20.09 | 196.7 |
| Refrigerators | pc | 7771 | 401.4 |
| Washing machines | 10,000 | 1.57 | 162.7 |

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ECONOMIC MANAGEMENT

## HAINAN DOES WELL IN ECONOMIC DEVELOPMENT, REFORM

HK130834 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 Mar 86

[Text] During the Sixth 5-Year Plan period, industrial and agricultural production developed rapidly on Hainan Island. The average annual growth rate of the island's industrial and agricultural output value was 12.8 percent. The per capita income on Hainan Island increased from 139 yuan to 390 yuan.

Reform and the open policy has given new vitality to Hainan in its economic take-off. Since 1983, Hainan Island has readjusted the urban and agricultural production structure.

First it readjusted the agricultural production structure and changed the policy of putting grain production first to that of putting the production of tropical economic crops first. Then it lifted the ban on peasants growing economic crops such as rubber. As a result, the area for growing economic crops on the island increased to 6.24 million mu. The readjustment of the agricultural production structure has upgraded the productivity of the commodity economy and gradually formed a rural economic structure with a combination of agriculture, industry, commerce, and trade. The total export volume of the island in 1985 increased by more than 300 percent over 1980. The foreign exchange earned by the island in 1985 hit an all-time high.

Second, Hainan Island readjusted the industrial structure. Over the past 5 years, the island signed 230 contracts on economic cooperation with foreign businessmen or involving foreign funds, and signed contracts with 24 provinces, municipalities, and autonomous regions on 254 cooperative projects, thus promoting technological transformation and innovation of Hainan's industry and bringing to an end the passive situation of suffering losses for a long time in Hainan's industry.

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ECONOMIC MANAGEMENT

## HENAN PLANNING, ECONOMIC WORK CONFERENCE ENDS

HK200723 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 16 Mar 86

[Text] The Provincial Conference on Planning and Economic Work which opened on 5 March concluded in Zhengzhou yesterday. The conference conveyed and implemented the spirit of the national conferences on planning and economic work, discussed our province's draft Seventh 5-Year Plan, and made arrangements for the planning tasks and economic work in the whole province this year. This conference has a bearing on the overall situation in the national economy throughout the province and on the development target in the intermediate period. Leaders of all departments concerned at the provincial level, prefectures, cities, and counties, and responsible comrades of the planning and economic committees attended the conference. After discussion, those present at the conference unified their thinking, defined their tasks, and roused their enthusiasm.

Leaders of the Provincial Party and Government, including Liu Zhengwei, Zhang Zhigang, Qin Kecai, Hu Tiyun, and (Zhao Zhengfu), attended the conference. Comrade Liu Zhengwei gave a summation of the conference. In his summation, he analyzed our province's economic situation and summed up our province's experiences in economic work during the Sixth 5-Year Plan period.

In dealing with the plan and arrangements, Comrade Liu Zhengwei pointed out: Strictly controlling the scale of capital construction and readjusting the investment structure is a crucial matter and a strategic measure which has a bearing on the overall situation this year, and in the whole Seventh 5-Year Plan period. In this matter, we must not be hot-headed and, in the light of the overall situation, can only make unified planning after due consideration, give prominence to the key points, select the good projects, and support them.

Comrade Liu Zhengwei emphatically pointed out: During the Seventh 5-Year Plan period, we must continuously regard reform of the economic structure as an overriding task, further emancipate our minds, and unswervingly lead reform to develop in depth. A problem now merits our attention. It is to correctly understand and handle the relationship between reform and correcting unhealthy trends. We must draw two clear demarcation lines:

1. It is necessary to draw a clear demarcation line between lawful operations and unhealthy trends and criminal activities. While correcting the unhealthy trends and cracking down on criminal activities, we must pay attention to the protection of lawful operations.

2. It is essential to draw a clear demarcation line between unhealthy trends and slips in work. We must strictly investigate and deal with the unhealthy trends. Regarding slips in work, we must in the main, conduct criticism and education and help them draw lessons.

Comrade Liu Zhengwei said: In reforming the economic structure in our province this year, we must mainly do well in grasping seven things. These are:

It is necessary to strengthen and improve macroeconomic control; to solve salient problems left over by the reform of prices and wages; to further enliven the large and medium-sized enterprises; to vigorously promote the development of economic relations among regions and enterprises; to enliven circulation and finances; and to do the work of city administration of counties, comprehensive reform of the economic structure at the county level, well.

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ECONOMIC MANAGEMENT

## JIANGSU GOVERNOR ON ECONOMIC GROWTH RATES

OW240951 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 21 Mar 86

[Excerpts] At the provincial work conference on planned economy Governor Gu Xiulian pointed out that we must consider the question of growth rates correctly and realistically if we want to ensure steady economic growth.

Governor Gu said: Steady economic growth is a prerequisite for the consolidation and development of the excellent situation. There would be no development in our various undertakings or material or cultural improvements in the people's livelihood if there were no economic growth.

Governor Gu specifically pointed out: There are two prerequisites for economic growth rates. One is whether the social benefits and economic results are good or not. The other is that growth rates must not exceed our capacity for capital construction funds, credit, foreign exchange, and consumption funds. As excessive economic growth rate will strain resources of energy, transport, and raw materials, thereby harming reform and the improvement of economic efficiency. An insufficient economic growth rate will also adversely affect the market, export, and financial revenue. Therefore, we must not blindly pursue high growth rates; neither should we willfully curb growth rates and thus let good opportunities slip.

Speaking of the possibility of maintaining a certain economic growth rate, Governor Gu said: We should consider the potential of the existing enterprises that will be tapped through the reform of the economic structure as well as the newly added production capacity resulting from capital construction and technical renovations. Our province's commodity economy is relatively developed, the foundation of our industrial and agricultural production is relatively good, and the scientific and technological level is comparatively higher. Therefore, it is possible to have relatively higher economic growth rates in view of the objective conditions. For this reason, we should realistically arrange production and set growth rates on the basis of requirements and possibilities and, with local conditions in mind, integrate growth rates with economic results and raise production to a new level.

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CSO: 4006/853

ECONOMIC MANAGEMENT

## BRIEFS

WORK CONFERENCE SETS TASKS--The provincial economic work conference concluded in Guiyang on 15 March after 10 days in session. The conference proposed that, under the premise of improving product quality and economic results, the province strive for a slightly higher growth rate than the national average. The meeting implemented the spirit of the national economic work conference and meetings of the provincial CPC Committee. The participants listened to a recorded speech by Secretary Hu Jintao conveying General Secretary Hu Yaobang's instructions during his inspection of Guizhou. During the meeting, the participants held panel discussions on strengthening enterprise management, creating advanced products, tightening quality control, improving product quality, promoting the technological transformation of enterprises, developing lateral ties between national defense enterprises and local authorities, and launching a major debate in the cities on increasing output and income. The meeting firmed up the production tasks for 1986 and made arrangements for technological progress during the year. Governor Wang Chaowen made an important speech at the close of the meeting. [Excerpts] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 15 Mar 86 HK] /12712

COOPERATION MEETING IN SHANXI--A provincial urban-rural economic and technical cooperation meeting opened in Taiyuan on 22 March. The guiding idea of the meeting is to develop lateral economic ties, sum up experiences in lateral cooperation, promote the unification of urban and rural economy, and stimulate sustained and coordinated development of economic construction in the province. Provincial CPC Committee Deputy Secretary Wang Jiangong made the opening speech. He said: Lateral economic ties represent a new form of cooperative relationship between enterprises on the basis of equality and mutual benefit, in which each takes advantages of its strong points and uses the strong points of others to make up for its shortcomings. Urban-rural economic joint cooperation represents an important component part of all lateral economic cooperation. Vice Governor Yan Wuhong spoke at the meeting. He said: The aim of this meeting is to carry out mobilization, organization, and popularization afresh in accordance with the principle of consolidating, digesting, supplementing, and improving, and to launch still more extensively and deeply urban-rural lateral economic cooperation in the province. [Excerpts] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86 HK] /12712

INDUSTRIAL PROBLEM-SOLVING MEETING--The provincial government held an urgent meeting on industry and communications production on 22 March, to arrange current production and formulate several measures for improving this work. In view of the current main problems in industry and communications, the provincial government decided to take the following measures: 1. Get a good grasp of production during the last 10 days of March. The production decline should be reversed and a certain growth rate attained by the end of the first quarter. The prefectures, cities, and departments should adopt the method of doing work on the spot to help the enterprises solve problems and boost output. 2. Do a thoroughly good job of organizing production during the second quarter and strive to fulfill half the year's tasks in half the year. It is first necessary to make proper arrangements for April production. 3. The industry and communications departments should in general avoid holding large meetings or organizing large-scale study visits during the second quarter. The majority of the cadres of these departments should go to the frontline of production to grasp production in key areas, enterprises, and products. 4. Vigorously increase output of best-selling products that meet market needs, and recoup production declines with increases. 5. Do a good job in handling and selling the products. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86 HK] /12712

QUALITY CONTROL STRESSED--Mayor Jiang Zemin pointed out yesterday: While stressing production speed, it is necessary to pay attention to product quality to prevent the production of shoddy and unsalable commodities. These words were spoken by Mayor Jiang at a training class on quality control for bureau directors which ended yesterday. He said: Both products for export to earn foreign exchange and products to meet the needs of the domestic market must stress quality, technology, and economic results. Mayor Jiang said: Shanghai's collective, village, and town enterprises must serve the industrial needs of the major cities and engage in advanced processing of farm and sideline products, while the industrial plants in large cities must ensure the profitability of the collective, village, and town enterprises to preserve their enthusiasm. It is understood that Shanghai will conduct periodic spot-checks on product quality this year and publish bulletins on quality. The emphasis of spot checks will be on fine-quality and famous brand products, durable consumer items, products listed as key items for inspection, and products related to the people's health and safety. Enterprises that produce substandard products will be severely dealt with to the extent whereby a plant may be ordered to suspend production until reform is carried out and its leaders charged with dereliction of duty. [Text] [Shanghai City Service in Mandarin 0100 GMT 19 Mar 86 OW] /12712

GUIZHOU ECONOMIC CONSTRUCTION--Guiyang, 17 Mar (XINHUA)--Guizhou Provincial Governor Wang Chaowen announced at a recent economic work meeting that the province would cut its investment in nonproductive projects by 10 percent this year. The funds saved in this way will be used for key construction projects in developing energy resources, transportation, agriculture, and the light and metallurgical industries and for technological upgrading projects aimed at improving product quality and reducing energy consumption. [Summary] [Beijing XINHUA Domestic Service in Chinese 1219 GMT 17 Mar 86 OW] /12712

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FINANCE AND BANKING

# BENEFITS, RISKS OF INTRODUCING FOREIGN BANKS

Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 10, 11 Oct 85 pp 29-32

[Article by Zhang Guile [1728 6311 2867] and Xia Deren [1115 1795 0088]:
"Introducing Foreign Capital Banks and Strengthening our National Banking System"]

[Text] At present our national banking system, having undergone a restructuring over the past several years, has made the People's Bank of China the core and the Industrial and Commercial Bank, Agricultural Bank, Construction Bank, Bank of China (the specialized bank for foreign exchange), insurance companies, and other specialized banks the backbone's new structure. This tentatively formed and fairly complete systematic structure will produce a positive influence on national economic development. Currently, however, our national banking system is still a kind of "introverted model" and closed-style system. This kind of closed-style banking system not only is incapable of meeting the needs of opening up our national economy to the outside, it is also detrimental to the financial industry itself taking part in international financial cooperation in order to conform with new trends in international finance. To enable our national banking system to change step by step from an "introverted model" to an "extroverted model," foreign capital banks must be actively introduced (including joint investment banks and banks of overseas Chinese investors), allowing them to become a component of our national banking system and thus enabling our national banking system to become a multilevel, sound, and strengthened open system.

## I

Our national socialist banking system was established in the early 1950's. Shortly before the founding of the People's Republic of China, on 1 December 1948, the People's Bank of China was established on the foundation of merging the banks of liberated areas. At that time imperialism carried out a political policy of isolation and an economic blockade policy, leading to relatively little economic contract between our country and Western nations. In this way, foreign countries withdraw from Chinese banks one after another, and the remaining few foreign banks had no choice but to announce their closing. Under these conditions thoughts of opening up were impossible.

Since the 3d Plenum of the 11th CPC Central Committee, our nation has carried out a policy of opening up to the outside under new circumstances, seeking to set up a new economic system, and thus seeking to set up a new banking system, to suit changing objective conditions. Since our country wants to open up to the outside, to introduce advanced Western technological equipment and management methods, it requires great effort to create a financial environment that is easy for foreign capital to enter and to create circulating conditions that can attract foreign capital, enabling our country's financial system to overlap and have contact with foreign banks in work and management. To reach this point we must insist on the independence and self-determination of our national banking system and in addition integrate our country's peculiarities while opening up the banking sytem to the outside. The primary path to opening up is to allow foreign capital banks, overseas capital banks and joint investment banks to apply to open and operate within our territory.

At the moment, internationally there is a huge sum of floating capital, about $800 billion. These funds will settle wherever the financial environment is suitable and investment conditions are advantageous, and they will bring along prosperity for that economy. Currently Japan, Hong Kong, Singapore, Taiwan, and other countries and areas are energetically bringing in foreign capital banks and developing offshore financial centers, (Footnote 1) (Offshore financial business is taking currency other than that of one's own country as the substance of operations and making nonresidents the financial business' primary objects of service.) to facilitate attracting more international capital; this must be said to be a wise choice.

If our nation's channels for opening up to the West are not merely limited to the several types that currently attract foreign capital but aim at higher strategic goals, allowing our national economy to seek to develop in international competition and making use of the strength of every nation to attain the goal of vigorously developing China, then we must adopt significant measures in the development of the financial system. We must introduce foreign capital, change the closed, introverted-model financial system into an open, extroverted-model financial system, enable our country's banks to enter the international financial arena step by step and become an indispensable component of the international financial industry.

China's current banking system has shortcomings in two respects: one is that the structure of the banking system is incomplete; we must bring in foreign capital banks to supplement it. After reforms, our country's economic structure will make socialist public ownership the principal element among the many types of ownership forms and existing structures, including a specified number of components of capitalist ownership, particularly in special zones and open cities, permitting the existence and development of foreign capitalist enterprises. This kind of multilevel ownership structure, while concurrently requiring that our nation's banking system also be multilevel, not only includes socialist national banks but also a specified number of foreign capital banks.

These are necessary requirements of opening up to the outside, bringing in foreign capital enterprises and introducing advanced Western technology. At the same time, viewed from the perspective of the internationalization of the financial system, an international financial system in which foreign banks have not set foot does not exist. Many experts on developing China consider that bringing in foreign capital banks is a necessary condition for the move toward internationalization by our country's financial system.

A second shortcoming is that the function of China's national banking system is imperfect. It requires that by appropriately bringing in foreign capital banks we form a mutually competitive situation and improve the quality of our domestic financial organizations. Under the new circumstances of opening up to the outside, the functioning of our national banking system appears very unsuitable. First of all the financial industry is unitary. For many years our banks have merely absorbed deposits and granted loans, which cannot suit the increasingly complicated situation of commodity production and circulation since the opening up to the outside. Especially if our financial organization considers moving toward the world arena, its financial operation's must attain international know-how; this then requires expanding the scope of our financial business. Next is that financial instruments are simple. Since for a long time China has restricted the development of many forms of interest, this has resulted in a terrible shortage of financial instruments available to banks for use in the marketplace. This limited the functions of banks in raising and distributing funds in the continuously expanding economy. Last is that the management of the banking and financial industry is quite backward. The basic facilities of our country's banks are backward and talented people are in short supply, resulting in ways of bank management that are old fashioned and inefficient. Bank personnel still use the abacus, pen, and account book as the principal methods of work. This kind of management and administrative method is extremely incapable of adapting to the pace of the development of the economy. Under circumstances in which the function of our national financial system is imperfect, when the domestic financial market is unformed, appropriately bringing in foreign capital banks could be considered an excessive substitution method, taking advantage of the completeness of the financial business of foreign capital banks, the developed information technology, and administrative personnel of good quality and superior rank to remedy shortcomings in the functioning of our national banking system. Through limited competition carried out between foreign capital banks and domestic banks we could stimulate the development of our country's basic financial facilities, stimulate domestic banks to free themselves from traditional business, study the business techniques of foreign capital banks, improve the level of management and administration and regulate economic capability, and finally, make our nationl banking system want to become perfected, to become an open and extroverted banking system.

II

Regarding the introduction of foreign capital banks, the question that most concerns people is, what is the relation between foreign capital banks that operate within our territory and play a role and the organization of domestic banks? We consider foreign capital banks a component of our national banking system. Others say that foreign capital banks are a necessary supplement to our national banking business, that under the guidance and management of our central bank they will develop a positive function. Foreign capital banks are a component of our national banking system; this is determined by the position of foreign capital banks. Regardless of whether they appear in the form of a branch or the form of a joint investment bank, foreign capital banks must accept the supervision of the country in which they are located and the scope of business must accept the strict limits of the monetary authorities of the host country, according to international practice. Regarding our country's situation, based on the latest stipulations by the State Council, banks of foreign countries that establish branches in special economic zones must have the examination and approval of the People's Bank of China and accept supervision. After the foreign banks have undergone examination and supervision, our country's central bank could bring the administrative activities of foreign capital banks into our country's unified banking system. The same holds for joint investment banks, because foreign banks or shareholding companies only control a portion of the shares of joint investment banks. At the same time they must receive the examination and approval of the country of registration. Therefore their activities also constitute a portion of the activities of the host country's banking system. Currently, the laws of any country in the world that permits foreign banks to operate within its territory recognize that these foreign banks are a component of its own country's banking system. Of course it still must be recognized that even though foreign capital banks are under the jurisdiction of the main branch of the People's Bank of China, the goal of their operations is still to obtain profits. From an objective viewpoint, the operation activities of foreign capital banks are advantageous to the flow of international capital, to the development and opening up to the outside of our national banking system and also to the development of our country's financial business. This constitutes a major reason for foreign capital banks to be taken as a component of our national banking system. Speaking in specifics, foreign capital banks can develop positive functions in the following respects.

First, foreign capital banks can increase domestic sources of funds. Our country is carrying out the construction of modernizations, and funds are a major problem; an extremely large source of funds is required. At present our country's banking system is basically only able to raise funds within the country (the Bank of China excepted, but the Bank of China's volume of business is very insufficient). Under the new circumstances of opening up to the outside, we wish to introduce advanced technological equipment from Western countries, so then we must raise even more funds from the international financial market. Western banking capital and industrial capital are inseparably blended. Banks form the backing for industry and

technology. If foreign capital banks cannot be appropriately introduced concurrently with the introduction of foreign capital and technological equipment, it will complicate the work of opening up to and importing from the outside. On the contrary, if foreign banks are permitted to establish branches within our territory, or open banks, it could bring in a large number of foreign accounts. A considerable amount of funds could be transferred in from foreign countries, lessening the intense pressure on our country for credit funds. Currently, the world's most advanced scientific technology is in the hands of transnational corporations, and behind transnational corporations are transnational banks acting as the backing. Wherever transnational corporations expand, transnational banks closely follow. None of the investments of transnational corporations, whether from a plan, through fund-raising, starting operations, or arranging product marketing, departs from related activities of transnational banks, including arranging bank loans, managing the allocation of funds between the parent corporation and subsidiaries, as well as supplying the foreign exchange needed for buying and selling with the outside, and so on. Therefore, if we wish to consider introducing advanced technological equipment and attracting the early investment of transnational corporations that is related, then we must bring in transnational banks. This is the role of foreign capital banks in directly attracting foreign capital. At the same time, bringing in foreign capital banks can also indirectly broaden the sources of funds. By bringing in foreign capital banks, which is beneficial to the formation and perfection of our national financial markets, externally it can create a financial environment with large amounts of foreign capital pouring in, and internally it would help break up unitary and monopolistic situations in financial assets, thereby creating sources of funds with more channels and comprehensive in direction.

Second, bringing in foreign capital banks can increase the flow of information from every part of the world about such things as economic technology, trade finance, and so on. The economics of modernization is essentially a type of information economics. Since the level of development of productive forces has determined it, we still have not formed this system. In particular, although our national banks are in name the "nerve center" of the national economy, in fact the basic facilities of our national financial profession are extremely backward. In addition, the restrictions on statistical methods, the imperfection of communication conditions, and the shortage of talented people make our national banking system incapable of quickly and accurately gathering and transmitting the information that comes from all directions and unable to truly become a "barometer" of the domestic and world economies. Therefore, in order to further develop and utilize information sources inside and outside the country we must perfect the function of our national banking system in dealing with information. Bringing in foreign capital banks is precisely in order to add an information source to our national banking system. The Western banking industry, in connection with utilizing electronic computers to gather, process, transmit, and store information, is always at the forefront of its industry. This enables the information it exports to have the characteristics of accuracy and timeliness. If these banks establish branches within the territory of

China or operate with domestic joint investments, they can bring into our country large quantities of the newest information on the world economy, technology, trade, finance, and so on. They could also improve relevant consulting services and thus provide a service for China in its policy-making concerning opening up to the outside.

Third, bringing in foreign capital banks will remedy our national banking system's inadequacy in engaging in the business of international finance. The Bank of China's current situation is that there is little organization, the business is unitary, it lacks competitive power internationally and it is far from able to meet the new circumstances of opening up to the outside. In order to remedy our national banking system's inadequacy in handling international financial business, a realistic and workable method would be, by attracting foreign capital banks to establish branches ahead of time or to organize joint investment banks outside of China, to set up offshore financial business in related cities, progressively establish and develop related currency, capital, and foreign exchange markets and allow the financial organization of our own banks to toughen and improve in the process of managing and competing. At the same time we could sign related agreements with foreign capital banks and together train personnel in domestic banking and the business of international finance. This would allow the financial organization of every kind of bank in our country to quickly reach the internationalized and specialized financial level, establishing a sound financial system that has a complete set of structures with more weight on finance, insurance and so on and that is related to international economic trading activity. Moreover, through the introduction of foreign capital banks the formation of financial markets will touch off the development of our national communications, postal, and telecommunications facilities and also spur the rise of the real estate industry. At the same time it will bring along the development of knowledge-intensive industries, and so forth.

## III

Since we want to look at the positive effects of foreign capital banks on opening up to the outside and strengthening our national banking system, we should also clearly recognize that foreign banks still have their negative side. We must approach these negative factors seriously, adopt necessary measures and, as much as possible, reduce the unfavorable influences on the domestic economy. To do this we must pay close attention to the following problems:

First, choosing the management style of foreign capital banks that suits our country's national conditions. Currently there are roughly three types of management styles practiced in foreign capital banks in the world. The first type is like the Bahamas, Cayman and other countries and regions which put no restrictions on foreign capital banks and wholly act as free ports open to foreign capital banks. Many foreign banks having the goal of escaping taxes go there to do business. The second type is like England, Hong Kong, and other countries and areas. They rarely make restrictions on

foreign capital banks. Domestic financial organizations and overseas financial organizations overlap and permeate each other, basically blending into one body. Domestic business and offshore business crisscross; both residents and nonresidents can engage in foreign exchange. The third kind is like Singapore and the IMFS market of the United States, which employ policies of appropriate controls on foreign capital banks. Ordinarily they selectively attract specific transnational banks and grant special permission licenses, enabling them to set up special accounts within the banks for the purpose of running the offshore financial industry. At the same time some related legal provisions and a higher supervisory system are adopted, allowing the offshore financial business of foreign capital banks to be strictly segregated from domestic financial business. Furthermore, rules and regulations concerning foreign exchange controls and other things are progressively relaxed until in the end foreign exchange controls are completely removed, but it is not announced in order to prepare to restore foreign exchange controls at the necessary time. This strengthens the intervention function of currency authorities in the foreign exchange markets.

We think that judging from our country's present actual situation, choosing a style similar to the third type would be more appropriate for our country. Because the relevant laws and regulations are presently being established in our country, we have no experience in the management of foreign capital banks, a unified financial market has still not been formed and a foreign exchange control system is not yet thoroughly restructured, we have a need in this period to separate the activities of foreign capital banks from the activities of domestic banks and to differentiate offshore business from domestic business. It is to prevent foreign capital banks from taking advantage of the defects of our national financial management system, carrying out speculative activities, tapping large amounts of construction funds and transporting them abroad and interfering with our unified grand financial strategy. Thus the operating activities of foreign capital banks would be limited to within a specified range and brought into our whole national financial path.

Next, we must strengthen the management of the People's Bank of China and the capability to supervise foreign capital banks. We should recognize that the entrance of foreign capital banks will present many new problems and uncertain elements for the central bank in implementing control on a large scale. Because the flow of international capital will be influenced by changes in the interest rates and exchange rate of each currency, changes in these factors will sometimes offset the effects of the policy movements of our country's central bank. In particular, foreign capital banks will enjoy many preferential policies, such as when they accept deposits from foreign accounts they are not restricted by the deposit reserve system, and the currency interest rate is ordinarily unrestricted; this will present even larger problems for control and supervision by the central bank. In order to effectively implement our country's currency policy and attain the objectives of our grand strategy, we ought to think of a way to strengthen the ability of the central bank to control foreign capital banks. This is

the key to whether or not every banking organization in our national financial system can be kept in step. The People's Bank of China should strengthen the control and supervision of foreign captal banks in two respects: the first is, with the aid of legal measures and related provisions, to some extent make a choice when bringing in foreign capital banks, limit to some extent the scope of their operations and supervise to some extent the process of their operations. The second is to adopt economic measures to influence the activities of foreign capital banks. The financial markets are the places where the central bank and foreign capital banks meet. If the central bank is able to control and master the movements of the financial markets to a certain degree then it will indirectly influence the activities of foreign capital banks. Toward this end we must first progressively open the financial markets and at the same time strengthen overall control, allowing the activities of foreign capital banks and those of the central bank to have a place of contact. We must also strengthen the ability of the central bank to regulate the financial markets, select appropriate financial variables like interest rates, the exchange rate, the money supply and so on, and through management, by judging the time and situation, attain the goals of controlling the movements of the financial markets and influencing the activities of foreign capital banks.

Last, quickening the pace of our national financial restructuring and creating equal conditions for competition between domestic banks and foreign capital banks. After introducing foreign capital banks, competition between banks is unavoidable. But if competition is begun under present conditions, several problems will emerge. Since the restructuring of our nation's financial system is still not completely developed, domestic banks are under the pressure of the original system's restraints and the backwardness of management methods and cannot effectively carry on competition with foreign capital banks. Thus the results of competition would inevitably make a mess of our national unified financial markets. Under such conditions we could, of course, adopt protective measures and limit the activities of foreign capital banks, but this certainly would not be a long-range plan. The fundamental methods are to quicken the pace of domestic financial restructuring, strengthen the vitality of every specialized bank, rapidly improve their quality in order to become established in an invincible position in competition with foreign capital banks, and try to achieve development.

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FINANCE AND BANKING

## LIFTING RESTRICTIONS ON FOREIGN BANKS DISCUSSED

Shanghai SHANGHAI KUAIJI [SHANGHAI ACCOUNTING] in Chinese No 10, 25 Oct 86 pp 29-32

[Article by Tang Yunhong [0781 7189 7703] of the Shanghai Financial Institute of the People's Bank of China: "Lifting Restrictions on Foreign Capital Banks; Further Utilizing Foreign Capital"]

[Text] After the People's Bank of China announced "Concerning the Management Methods of Foreign Capital Financial Organizations with Permanent Representative Organizations in China" on 2 February 1983, many foreign capital banks came to China one after another to establish representative offices as well as agencies (at present there are 136). They conducted talks and consultations, made contacts and performed services and other work that is indirectly seeking profits, attracting foreign capital to our country and giving rise to some positive effects. On 13 April of this year the People's Bank also issued "Regulations Regarding the Management of Foreign Capital Banks and Chinese-Foreign Joint Investment Banks in the People's Republic of China's Special Economic Zones." Without question this represents a big step toward promoting and strengthening modern financial services and advancing the opening of our national economy. Therefore there is no harm in considering whether or not we can actively and carefully open up further toward foreign capital banks (including banks of foreign investors and Chinese-foreign joint investment banks) within our entire territory. I believe that this matter deserves further exploration, which will contribute to our preparedness.

### I. The Positive Significance of Lifting Restrictions on Foreign Capital Banks and its Advantages and Disadvantages

I think that lifting restrictions on foreign capital banks has positive significance in at least the following four respects:

1. It is helpful in bringing in foreign capital. Allowing foreign capital banks to set up and conduct business will encourage foreign enterprises that have dealings with these banks to come to China to invest. Foreign capital banks have extensive contact with international banking capital and also have modernized service facilities. Through the guidance of foreign capital

banks, foreign capital easily follows them step by step. Moreover, we cannot solely depend on the funds of foreign businesses that are brought in; we also need to take advantage of the channels of foreign capital banks to supply circulating funds, even average- and long-term capital and other specialized payments for goods. In this respect foreign capital banks can develop a positive function.

2. It is helpful in introducing managerial, administrative, and financial techniques. Permitting foreign capital banks to set up can supply modernized financial services for our country, help domestic banks study the managerial, administrative, and financial techniques of foreign banks and improve the quality of service. As for some things, like the exploitation of natural resources, considerable specialized knowledge and technique is required in extending short-term loans. Many capital banks for the most part have their respective specialties and strong points and develop their functions just right. They could also act as references for our country's banking work.

3. It is helpful in keeping abreast of international economic information. Banks and other financial organizations are not only major circulating channels for funds but also important information enterprises of the present age. They are the hub of the input and feedback of every kind of management information. Banks undertake all types of business activity and are able to report accurately and in a timely manner new circumstances in the national and world economies, new problems, and new trends. Lifting restrictions on foreign capital banks will help us keep abreast of information and stay informed on new trends in the economic development of every country in the world. Thus it will be beneficial to carrying out policies regarding our country's four modernizations, to the coordination of organizations and to opening up to the outside and opening up international markets.

The party's policy of opening up to the outside requires that we utilize two kinds of resources: domestic resources and foreign resources. We must open up two markets: the domestic market and the international market. We must study two kinds of skills: the skill of organizing domestic construction and the skill of developing the external economy. If we open up to foreign capital banks it will help us study and master these skills.

4. It will help strengthen China's economic contacts and cooperation with every area of the world and thereby expand our country's influence in politics and economics, increase our country's prestige and further develop and create favorable conditions for our national economy. In the past, our government did not allow foreign capital banks to open branches; this also limited the development of China's banks in the overseas direction. Along with opening up to foreign capital banks, our banks can also gain the convenience of reciprocity in establishing branches, going abroad to expand.

Of course, lifting restrictions on foreign capital banks will also produce several problems such as:

1. The problem of management of foreign capital banks.

2. The handling of foreign exchange control is also problematic.

3. It will create a definite competitive threat to the business management of China's state-run banks.

4. It will cause our national economy to be easily influenced by international economic and financial unrest.

Apart from this, a definite price must be paid. We must allow a portion of bank profits to be given to foreign capital banks.

However, provided that we draw up perfected management laws and regulations for lifting restructions on foreign capital banks, frequently supervise and further study the foreign currency control methods under new circumstances, these problems can be solved. As for having to pay a definite price, compared with bringing in foreign capital and promoting the swift development of China's economy, it is worth it. To repeat, along with reforms of the economic and financial systems, our country's state-run banks also must, in future competition, enhance their own professional abilities in management and strengthen their positions; these are also good things. Therefore, generally speaking, in weighing the pros and cons there are more advantages and fewer disadvantages.

II. How To Lift Restrictions on Foreign Capital Banks

Regarding lifting restrictions on foreign capital banks, I think that we can first consider a progressive opening in 14 coastal cities and Hainan Island in turn. Based on the needs and possibilities of our national economic development and opening up to the outside, there is no harm in selecting from among those in the 14 coastal cities several foreign capital banks' representative offices in large cities like Shanghai, Tianjin, Dalian, Guangzhou, and other places and permitting them to be upgraded to branches. Apart from this, in the Shanxi coal mines and the south sea oilfields where there are fairly large investments by foreign capital banks, and in related cities as well as some important inland cities, such as Chongqing, Hankou and so on, bringing in foreign capital banks and allowing them to establish representative offices or branches can also be considered.

We must rigorously examine and approve the request to upgrade or establish branches, and fully consider the actual effects on our country's economic development that might result from the introduction or upgrading. As the Bank of England does when faced with an application to establish a foreign bank in London, we definitely must conduct an investigation: the motives of establishing a branch, the actual economic effects on England, whether its main branch is able to assume economic responsibility and the degree of its ability to do so, and appropriately asking the applicant to provide relevant and detailed materials. We could refer to their methods.

Regarding the scope of business of foreign capital banks, I think that we can make stipulations following the situation of the main branch of the People's Bank of China, which consults the business management of foreign capital banks in the Shenzhen SEZ. They could include:

(1) Organizing banking groups and having China's specialized banks (especially the Bank of China) together with foreign banks make cofinanced loans for foreign capital enterprises.

(2) Establishing joint development companies, with our specialized banks (principally the Bank of China) leading, jointly establishing development companies, supporting undertakings managed by Chinese-foreign joint enterprises, cooperative and wholly foreign-owned enterprises, sharing in the enterprises development of 1 to 14 coastal city construction zones.

(3) Setting up modern cooperative consulting organizations to bring the investment consultation function of foreign capital banks fully into play and provide modern financial services for our national construction.

Apart from this, before representative offices of foreign capital banks within the territory are upgraded to branches, the range of their business activities could be extended beforehand. Namely, beyond the original stipulations, permit them to participate in large investments and loans, encouraging them to raise foreign exchange funds for China and also collect a reasonable profit.

As to who can set up and who can upgrade, sovereignty resides with us. Certainly it should be based on China's economic interests, foreign policy, and the principle of opening up and we should create a unified approach that is able to differentiate. Currently the foreign capital banks that have set up representative offices in our country, aside from overseas investment, just those with different languages, belong to the countries of Japan, the United States, France, England, Canada, the FRG, Italy, Australia, and New Zealand. Among them, the representative offices of the Japanese investment banks already number nearly 30. With regard to individual banks, such as the Hong Kong and Shanghai Banking Corp, there are already five in our country. Whether the banks that have opened representative offices in several places in our country should upgrade at the same time or be able to upgrade in only one place should also be considered and planned in a unified manner. My opinion is that we should primarily look at whether it is advantageous to our country's economic construction and our administrative strength and then decide.

In order to meet the needs of relaxing restrictions on foreign banks it is necessary to adopt some relevant measures in a timely manner. I believe that these should be:

1. Strengthening legal construction, especially drafting "Laws of Foreign Capital Bank Management." Before "Laws of Banks" are promulgated, we could first formulate "Laws of Foreign Capital Bank Management" or provisional regulations according to the experience gained from applying "Regulations

Regarding the Management of Foreign Capital Banks and Chinese-Foreign Joint Investment Banks in Special Economic Zones." Its content ought to include: establishing regulations on registration, minimum capital or business management funds, deposit reserve funds or implementing a special reserve fund system; deliberations on regulations that China's and Taiwan Province's volume of business with foreign banks must reach a corresponding amount of money to be able to conform with the requirements of establishing branches; South Korea's conditions regarding foreign capital banks that supply low-profit goods and have good trade relations with that country then being able to obtain permission to have priority in establishing branches; we seemingly could also absorb its vitality in the legislation.

Beyond this, we should also hasten as quickly as possible other legislative processes regarding the external economy. Besides what is concerned with financial business, such as central bank laws, banking laws, foreign exchange control laws and so on, it should also include: bank note laws, corporate laws, negotiable securities laws, and so forth.

2. Appropriately relaxing current foreign exchange controls. Carefully consider the provision of the sixth article of the "Regulations Regarding the Management of Foreign Capital Banks and Sino-Foreign Joint Investment Banks in Special Economic Zones" concerning the scope of business activities of foreign capital banks. Although they should be within the special zones, investment and loan businesses can be outside the special zones. To integrate with the actual circumstances of the economic development of our country's coastal cities, it is necessary to further relax current exchange control methods as a means of adaptation. Recommendations ought to be made before implementing the relaxation, discussing in advance, and making appropriate decisions.

3. Strengthening supervision of foreign capital banks. To this end, it is necessary to accelerate the training of specialists. Proceeding from the requirements of supervision of foreign capital banks, it should be stipulated: a fixed proportion of bank personnel will be provided by our country; at the same time, examinations and account auditing at fixed intervals and upspecified intervals by our departments concerned, including the Bank of China, the People's Bank of China, the auditing office, the office of financial administration and registered accountants (under authorization), and so on, should be accepted. In this connection, besides needing talented people possessing economic and financial professional knowledge and actual experience in our country, we also need to accelerate the training of talented people familiar with our country's external regulations and capitalist accounting. Even more, we need to train a group of talented people that possess a suitable level of professional knowledge of international economic finance and banking. Without these qualified people, carrying out supervision of foreign capital banks can only be empty talk.

To train the various kinds of talented people mentioned above, relying on only regular schools to do it is insufficient. I think that we should also walk on two legs--simultaneously develop state-run schools and those run

by society-at-large. In connection with accelerating the training of talented people in capitalist accounting, there is ample scope for one's abilities in the academic associations of accounting and other academic groups.

4. Our national banks should work hard for the prosperity of the country and welcome competition in business. Along with the unceasingly thorough reforms of our national economic system, our national banks should participate in the ranks of modernizing financial enterprises, with the modernization, pluralization, and standardization of the banking business as goals, improving their own management abilities in future competition, and strengthening their own positions. Of course, in management work the country should also consider as much as possible appropriate measures to protect our own banks. However, our national banks themselves must make great efforts to study foreign capital banks, drawing on their advanced experience in service and management for our own use. Concurrent with this, they should also extensively participate in world professional and research organizations concerned with international finance and the international banking profession in order to master in many aspects the conditions of the international banking business of each nation's banks and the information materials on bank management of each nation's government. In addition, the related economic organizations that our country has set up abroad, the Bank of China in particular, should periodically provide China with data on the financial and banking trends in each nation's economy.

In summary, in the policy of opening up to the outside and in the course of financial reforms, it is necessary to liberate the mind, stand high and see far, and by carefully but actively opening up to foreign capital banks within our territory, enable our country to have a new breakthrough in bringing in foreign capital work. This will mean considerable development in the scale of our country's introduction of foreign capital and will spur great development in China's modernization of financial services. The results will surely enable a completely new situation to emerge in our country's construction task of modernizing the economy.

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FINANCE AND BANKING

'OVERSEAS CHINESE' TO HAVE FOREIGN FUNDS PRIORITIES

HK131011 Beijing ZHONGGUO XINWEN SHE in Chinese 1430 GMT 7 Mar 86

[Text] Xiamen, 7 March (ZHONGGUO XINWEN SHE)--In developing its external economic relations, Fujian Province will give priority to cooperation with Overseas Chinese and compatriots in Hong Kong and Macao and work out more preferential policies. This was emphasized by Governor Hu Ping at a provincial meeting of administrative commissioners and mayors held in Xiamen.

He said: Of the total foreign investment funds absorbed by Fujian Province since it opened up to the world several years ago, Overseas Chinese investment funds account for about 70 percent. The enthusiasm of Overseas Chinese and Hong Kong and Macao compatriots for building the motherland and their native places is now rising. The money contributed by them last year for public welfare amounted to 85 million yuan. They are very much concerned with the building of their native places. In order to establish joint ventures in Fujian, an Overseas Chinese came to and fro many times and finally he concluded investment contracts for some joint ventures with Putian City, the Huamin Company, and the Huafu Company.

Hu Ping also said: While continuing to implement policies toward Overseas Chinese, including the policy of returning occupied houses to the original Overseas Chinese owners, and while concentrating efforts on reform of the economic structure of returned Overseas Chinese farms, the Overseas Chinese affairs department of our province should shift its major work to economic services. The department of external economic relations and trade, the Overseas Chinese affairs department, and other departments concerned should make concerted efforts to set up an organ with multiple functions, including work of giving guidance, strengthening coordination, offering consultancy, and maintaining contacts so as to render efficient service to Overseas Chinese who make investments in Fujian.

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CSO: 4006/858

FINANCE AND BANKING

## PRC BANKING OFFICIAL URGES CHANGE IN INTEREST POLICY

HK200931 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Mar 86 p 5

[By Olivia Sin]

[Text] China's method of fixing interest rates discourages its banks from giving loans to well-managed enterprises and meaningful projects, according to a senior Chinese Banking official.

Mr Zhao Haikuan of the People's Bank of China, the country's central bank, said a contradictory phenomenon has surfaced in China whereby banks lending to the financially sound enterprises make less money than those lending to risky projects.

This stemmed from a well-intentioned directive from the Government that banks should charge higher interest on loans given to poorly-managed entities and lower interest on money advanced to profitable enterprises and priority projects.

"As a result, the sensible banks make little profit by supporting the strong projects and the opportunistic banks make lots of money by lending to undesirable enterprises," he said.

Mr Zhao, director of the bank's Research Institute of Finance and Banking, is here to attend a four-day seminar on "China's System Reforms," organised by the Centre of Asian Studies University of Hong Kong.

In his paper on China's bank reform, he said the People's Bank should revamp its interest rate adjustment method to solve the problem. If this phenomenon is allowed to continue, important and meaningful projects will face difficulty in securing funds and China's economy will be harmed, he said.

He said China decided to reform its banking system after adopting the open door policy in 1979.

The People' Bank was designated the country's central bank in 1983, acting both as a note-issuing bank and a regulator of the rspecialised banks. Before 1978, People's Bank was the only bank in the country serving both as a note-issuing bank and as a centre of credit.

Under the reforms, a number of specialised banks were created to cope with the country's changing needs.

These are the Agricultural Bank of China, the Bank of China, the People's Constructin Bank of China, the Industrial and Commercial Bank of China, the People's Insurance Co of China, cridit cooperatives and regional trusts and investment corporations.

The specialised banks will ultimately be separated from the Government and become independent units responsible for their own profits and losses. However, he said it will take some time for the specialised banks to effect the change in their status.

He said during the transitional period the People's Bank will use a mixture of administrative means and economic levers to regulate the activities of the specialised banks.

But Mr Zhao emphasised the People's Banks's ultimate goal is to use economic levers like interest rates to regulate the financial activities of the banks. He said the Central Bank unsuccessfully tried to use economic levers in 1984 to regulate the lending activities of the specialised banks. The reason was the specialised banks were basically government units and did not feel the pinch of central bank's interest rate changes.

He said he hopes the banking reforms will be speeded up in the next five years when there will be wider use of cheques, credit cards and computers to aid business transactions.

The People's Bank will also strengthen its audit and monitor functions over the speicalised banks to check problem loans and irregular activities.

Over the past few years, he said China has gradually liberalised its control over banks by giving them greater freedom to conduct their business.

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FINANCE AND BANKING

## PRC TO INCREASE INVESTMENT IN GOLD PRODUCTION

HK211201 Beijing CHINA DAILY in English 21 Mar 86 p 1

[By Staff Reporter Liu Dizhong]

[Text] China is to increase its investment in good production in a bid to help ease tight finances for the modernization programme.

More than 300 million yuan, 76 percent more than in 1985, has been earmarked by the state this year to boost capital construction and upgrade technology in the production of the precious metal. A further 100 million yuan will be added to the gold exploration budget.

This was disclosed by Huang Yeheng, general manager of the China Gold Company at a national work conference on gold production which opened yesterday in Beijing.

Over the next five years, Huang said, state investment in gold production is expected to reach 400-500 million yuan annually. This should increase annual production capacity by 250,000 ounces.

China has become one of the world's major gold-producers. Output since 1980 has been worth billions of U.S. dollars.

Last year, gold production rose 11.8 percent over 1984. The state plans to increase production at an average annual rate of 14-16 percent during the Seventh 5-Year Plan period (1986-1990).

As part of the efforts to achieve the quota, Huang said his company would strengthen economic cooperation with foreign countries, particularly in imports of up-to-date technology. Ties have been established with the United States, Holland, Japan and France in this field. Their technology and equipment have helped promote China's gold production over the past few years, the manager said. He said the company was determined to bring production at these major mines close to current world levels by the end of 1990. This measure, Huang said, would be coupled with a further clamp-down on gold smuggling and speculation to ensure the nation could purchase all the gold mined by collectives and individuals.

It is estimated that about 180,000 former farmers were involved in gold mining last year, the highest level since 1975, when individuals and collectives were permitted to mine the treasured metal. About half the nation's gold output has come from these rural prospectors over the last few years. Their production has increased at an annual rate of 16.9 percent since 1980.

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CSO: 4020/246

FINANCE AND BANKING

## CHINA'S INSURANCE BUSINESS DEVELOPS RAPIDLY IN 1985

Beijing RENMIN RIBAO in Chinese 13 Dec 85 p 1

[Article by Yue Chuan [2574 1557]: "China's Insurance Business Develops Rapidly in 1985; Domestic Insurance Premium Income was 1.8 Billion Yuan in the First 3 Quarters; Number of Foreign Insurance Businesses Has Grown to More Than 40"]

[Text] China's insurance industry experienced its fastest growth ever in 1985. Based on statistics from the China People's Insurance Company, in the first 3 quarters of 1985 income from domestic insurance premiums exceeded 1.8 billion yuan, an increase of more than 800 million yuan over the same period in 1984. Insurance firms paid out more than 600 million yuan in compensation for regions hit by natural calamities. All businesses in society, as well as the ordinary Chinese individual, increasingly recognize the importance of the insurance business.

In 1985, Liaoning, Jilin, Heilongjiang, Shandong, and Shanghai among other places suffered flash floods and disastrous typhoons the likes of which had not been seen for many years; the property of enterprises and residents was severely damaged. However, those businesses and persons who had insurance received compensation without delay, thus demonstrating the importance of insurance enterprises. The role of economic compensation and protection that the insurance industry plays in China's economic construction and in people's lives has become an indispensable aspect of orderly economic development and of the peace and contentment of China's urban and rural populations.

At present, China's insurance business has expanded from the cities to the countryside and from state-run enterprises to collective enterprises, individual businesses and urban and rural residents. More than 2,800 insurance organizations have spread through the entire country in both the cities and the countryside, offering enterprise property insurance, home property insurance, personal insurance, motor vehicle insurance, and more than 120 other kinds of insurance businesses. In 1985, an increasing number of urban and rural residents have subscribed to home property insurance, as the first 3 quarters of 1985, insurance company earnings increased 141.7 percent over the same period in 1984. In addition, the number of workers participating in the worker pension funds of collective

enterprises increased by more than 810,000 persons this year, boosting the total number of subscribers to over 1.47 million.

While domestic insurance is rapidly expanding, China's foreign insurance firms have also experienced substantial growth in 1985. Earnings from insurance premiums have risen steadily and in the first 3 quarters amounted to more than $190 million. At present, China has property insurance on Chinese-foreign joint ventures, offshore oil development insurance, and more than 40 other types of insurance businesses. China's insurance companies have promptly paid indemnities to insured foreign businesses that have suffered loss. In 1985, China has paid out more than $30 million, thus receiving the praise of foreign business.

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CSO: 4006/592

FINANCE AND BANKING

## SHAANXI FINANCE CHIEF ON BUDGET ACHIEVEMENTS

HK200457 Xian Shaanxi Provincial Service in Mandarin 0200 GMT 19 Mar 86

["Excerpts" from Report by Provincial Finance Department Director (Ge Tao) at Fourth Session of Sixth Provincial People's Congress on 8 March]

[Excerpts] (Ge Tao) said: Shaanxi achieved a marked turn for the better in its financial situation in 1985. Revenue exceeded expenditure by 3.11 million yuan. This is the first time in the 1980's that the province has self-reliantly achieved balanced revenue and expenditure with a slight surplus. This is a breakthrough in the province's economic work.

He said: While affirming the marked turn for the better in the province's financial situation over the past year, we must also perceive the current difficulties and problems. The management and technological standards of many enterprises are low. There has been no fundamental change in the poor econocmic results. There is a lack of tight control over nonproductive expenditure such as in efforts to get hold of personnel, organs, and motor vehicles. There are loopholes in revenue and waste in expenditure. Violations of financial and economic discipline are more or less universal.

We must also realize that although there has been a marked improvement in the province's financial situation, the contradiction between the requirement for production and construction capital and the fianacial feasibilities are still extremely conspicuous. In particular, certain counties are in great financial difficulty. In 74 of the province's 106 counties, county-level cities, and districts, expenditure exceeds revenue and subsidies are needed amounting to 290 million yuan in state subsidies a year. We must therefore keep cool heads. We must certainly not become blindly complacent and view problems lightly just because there has been a marked turn for the better in our financial situation.

For 1986, the central authorities have assigned the province a financial revenue task of 2,341,140,000 yuan, which represents an increase of 156.51 million yuan--7.16 percent--over the actual figure for 1985. The finances available to the province for allocation this year amount to 2,332,210,000 yuan, an increase of 593.58 million yuan over the figure at the beginning of 1985. This is a rise of 30.14 percent.

(Ge Tao) said: We must focus on the following tasks in 1986:

1. Go further in correcting the guiding idea on financial work, and actively support the development of production, construction, and all undertakings.

2. Further strengthen tax collection work and financial work in enterprises, and strive to fulfill and overfulfill the revenue plans.

3. Uphold the principle of building the country with diligence and thrift and oppose extravagance and waste. We must strengthen and improve macroeconomic controls.

4. The focal point in economic work must be tangibly shifted to improving economic results. We must ensure sustained and steady growth in financial revenue.

5. Continue to perfect the reforms in the financial and taxation systems and actively do a good job in building the financial system at township level.

6. Strictly observe financial and economic discipline, correct unhealthy trends, and do a thoroughly good job in the major inspection of revenue and finances.

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CSO: 4006/858

FINANCE AND BANKING

## NATIONWIDE TAX INSPECTION CARRIED OUT IN DEPTH

Beijing RENMIN RIBAO in Chinese 9 Dec 85 p 2

[Article: "Major Nationwide Tax Inspection Carried Out in Depth; Tax Evasion Amounting to More Than 2.78 Billion Yuan Uncovered"]

[Text] A correspondent has learned from the Ministry of Finance's Taxation Bureau that, at present, the nationwide tax inspection involving self-inspections and mutual inspections has basically wound up, and a major investigation has been launched. According to incomplete statistics through the end of October, the nationwide tax inspection had uncovered more than 2.78 billion yuan in delinquent taxes, and more than 1.65 billion yuan had been deposited in the state treasury.

There was great momentum, broad scope, and strict demands during this nationwide tax inspection; party and government leaders at all levels attached great importance to the inspection, as an important step for correcting party style, redressing unhealthy tendencies, and strengthening the legal system and education. Each level of government had one important leader specifically responsible for inspection work. The governor of Anhui Province personally presided over the tax revenue and finance inspection committee, concerned himself daily with the status of the inspection, directed work, and vigorously promoted the launching of enterprise self-inspection work. After Anhui's Iron and Steel Company heard about the governor's actions, it immediately established the company manager as head of its self-inspection group and voluntarily declared and paid to the higher authorities 2.39 million yuan in overdue taxes.

The tax departments of Beijing and Guangdong among others, in accordance with the demands of the State Council circular, have inspected, verified, and then made deposits with outstanding results. Based on statistics through the end of October, Beijing Municipality had discovered tax evasion amounting to more than 134 million yuan. Liaoning Province had uncovered more than 231 million yuan in delinquent taxes and has deposited 144 million yuan.

Priority inspections are the central link in this major inspection and the key to ensuring that the inspection is far-reaching and thorough. Recently, the central tax bureau required each tax office in the nation to take

vigorous steps to have the results of the tax revenue inspection be reflected in increases in financial revenue. They must definitely correct the problems uncovered, must call in the taxes which ought to be paid, investigate when responsibility is to be established, persist in rectification as the investigation proceeds, and after correcting the problems unearthed, deal strictly with those tax-paying households that repeat their errors.

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CSO: 4006/592

FINANCE AND BANKING

## FOUR CHANGES IN HEBEI BONUS TAX COLLECTION

Shijiazhuang HEBEI RIBAO in Chinese 16 Nov 85 p 2

[Article: "Hebei Tax Bureau Official Makes Speech Pointing Out Four Changes in Hebei's Collection of Bonus Taxes in 1985"]

[Text] Recently, an official in Hebei's tax bureau gave a speech which pointed out that this year there are four changes in Hebei's collection of bonus taxes when compared with 1984. To summarize:

1. The scope of collection has been expanded. Last year the bonus tax was levied only on state-run enterprises. This year, besides collecting from state-run enterprises, all collective enterprises and institutions which grant bonuses exceeding the limits will be taxed according to regulations. According to regulations, large and medium state-run enterprises, which have been approved on a trial basis to implement the floating method of linking total wages with taxes delivered to the state and which extend wages and bonuses exceeding 7 percent or more of an established base, but must be assessed on adjusted wage tax.

2. The tax burden has been eased. Last year, the tax exemption limit was 2 and one-half months of standard wages. This year, it was extended to 4 months. Last year, it was stipulated that for enterprises which had standard wages less than 50 yuan, the exemption was calculated based on 50 yuan. This year, the exemption was calculated based on 60 yuan for enterprises that had standard wages less than 60 yuan. In addition, not counted as income are the total bonuses on products which, on a trial basis, conserve specifically designated categories of fuels and processed materials; the original 10 categories have been expanded to 20 categories.

3. Different tax exemption limits are provided with regard to different industries and circumstances. The tax exemption limit for state-run and collective enterprises is 4 months; those large and medium enterprises which implement on a trial basis the floating method of linking total wages with profits turned over to the state and whose wage increases exceeded 7 percent of an established base must be taxed; different tax exemption limits are stipulated because units have different levels of self-sufficiency for operating expenses and wage reform expenses. The higher the level of self-sufficiency, the greater the tax exemption limits.

4. Last year's bonus tax was assessed only once, at the end of the year. This year it is stipulated that after totalling the bonuses granted or the increased wages paid during the year which exceed the tax exemption limits, when bonuses are extended again, first the taxes should be paid, then the bonuses should be issued.

This official pointed out that control of consumption funds which rise too quickly is a social category; merely controlling state-run enterprises is a goal that cannot be completely achieved. Furthermore, expanding the scope of bonus tax assessment helps control the growth of consumption expenditures and also is more reasonable. Reducing the tax burden is in accord with the spirit of raising the workers living standards step by step and in a planned way; providing differentiated tax exemption limits for different industries and different circumstances conforms more to objective reality and helps arouse the enthuiasm of units and enterprises; changing the time for paying taxes from once at the end of the year to paying ahead of time has solved the problem of some enterprises' simply granting bonuses during the year end, at the end of the year, having no money to pay taxes or being squeezed by other special types of funding problems; helps encourage enterprises and units to strengthen planned management; causes workers' income levels to keep pace step by step and in a planned way with the rise in economic results; and causes the income for the nation, enterprises, and each person to increase and maintains an equitable ratio between them.

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FINANCE AND BANKING

## BRIEFS

INVESTMENT CONSULTING FIRM--Beijing, 24 March (XINHUA)--A new investment consulting firm that will evaluate loan proposals for the People's Construction Bank of China opened here today. No loan will be made by the bank without an appraisal by the firm, China investment consultants, or another consultant the firm designates, according to Zhou Daojiong, president of the Construction Bank. [Text] [Beijing XINHUA in English 1452 GMT 24 Mar 86 OW] /12913

MONEY SUPPLY MUCH REDUCED--China effectively controlled the supply of money last year, establishing the prices of consumer goods, an official of China's Central Bank said yesterday. Mr Zhao Haikuan, director of the Institute of Fiscal Study, People's Bank of China said yesterday after a seminar in Hong Kong that during the hectic days of excessive money supply in 1984, about RMB 26 billion was issued during the year out of an accumulated total of RMB 80 billion in circulation in the country. The money supply in 1985 was however much reduced, Mr Zhao said without specifying the amount. The Central Bank official revealed that more specialised banks might be set up in the coming years in addition to the existing four, but the number would be fairly limited. He said the scope of business between these specialised banks was less clear cut than before. A certain degree of overlapping in each other's business within the country is allowed at the moment, but for overseas business, they must strictly confine to their own area. [Text] [Hong Kong HONG KONG STANDARD (BUSINESS STANDARD SUPPLEMENT) in English 20 Mar 86 p 8 HK] /12913

ECONOMIC NEWS IN BRIEF--Beijing, 19 March (XINHUA)--Today's economic news in brief (2): Savings Deposits: Savings deposits at the Agricultural Bank of China and rural credit co-operatives increased by a record 6.3 billion yuan in the first two months of this year, bringing the total to 78.3 billion yuan. [Text] [Beijing XINHUA in English 1454 GMT 19 Mar 86 OW] /12913

GOLD PRODUCTION TO DOUBLE--Beijing, 21 March (XINHUA)--China expects to double its gold production in five years' time, according to today's ECONOMIC DAILY. The country's gold production has increased at an annual rate of 10 percent in the past five-year period, said the DAILY. Gold producing counties in the country increased from more than 200 in 1980 to more than 400 today, it added. [Text] [Beijing XINHUA in English 1059 GMT 21 Mar 86 OW] /12913

HANGZHOU'S PER CAPITA INCOME--According to statistics, the per capita income of Hangzhou City, Zhejiang Province, was 970 yuan in 1985, 220 yuan more than that of other cities in the nation. Hangzhou City now ranks fourth in per capita income after Foshan City, Guangzhou City, and Shanghai Municipality. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 12 Mar 86 OW] /12913

HEILONGJIANG BANK DEPOSITS--The Heilonjiang Provincial Bank of Commerce and Industry has attracted plenty of savings deposits from both rural and urban areas by improving its workstyle and providing better service. The total amount of savings deposits in 1985 was 5.14 billion yuan, topping 1984 by 1.3 billion yuan. Savings deposits in January 1986 totaled 67 million yuan, showing a marked increase compared with the same period last year. [Text] [Beijing Domestic Service in Mandarin 0400 GMT 13 Mar 86 OW] /12913

MEETING OF AGRICULTURAL BANK HEADS--In his speech delivered at the provincial meeting of agricultural bank heads on 7 March, provincial Vice Governor Duan Yongkang stressed that it is necessary to have a correct and overall understanding of strengthening and improving macroeconomic control. Macroeconomic control can be improved only after strengthening it. It is a lopsided view to treat improving macroeconomic control as merely increasing credit funds and relaxing control. Improving macroeconomic control means that we must use credit funds in a more proper way, including raising efficiency in the use of credit funds and speeding up the circulation of credit funds. Duan Yongkang said that as funds are still limited this year, it will be very difficult to maintain a balance between supply and use of funds. To solve the contradiction between supply and use of funds, we must rely on lower levels and tap internal potential. In accumulating funds, we must increase savings deposits, enliven funds circulation, and block loopholes. In using funds, we must ensure the funds are used for priority projects, for bank savings, for agricultural production, for purchasing agricultural and sideline products, and as necessary and reasonable mobile funds needed by enterprises. The size of fixed assets investment by town and township enterprises must be strictly controlled. [Text] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 10 Mar 86 HK] /12913

PREFERENTIAL PLANS FOR GOLD MINING--Nanchang, 21 March (ZHONGGUO XINWEN SHE)--During the "Seventh 5-Year Plan" period, Jiangxi, which has the richest gold reserves in the country, will build 11 new gold mines and increase its gold output tenfold. In order to take advantage of its gold resources, the Jiangxi Provincial Government has decided that starting this year, it will not impose energy resource tax, transportation tax, product tax, or income tax on the state-owned enterprises, collective enterprises, and individuals involved in gold mining. In addition, it will also implement the special and preferential policies of providing low-interest loans and development funds, allowing those involved some foreign exchange income, and raising gold prices. According to a provincial government official, more than 10,000 peasants in Jiangxi are experienced gold miners, and it is expected that more peasants will be involved in gold mining individually. The government will issue "gold mining permits," decide on the mining sites, strengthen management, and severely crack down on gold smuggling. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0200 GMT 21 Mar 86 HK] /12913

CSO: 4006/858

INDUSTRY

## BEIJING CORPORATIONS IMPORT, USE NEW TECHNOLOGY, TECHNIQUES

HK170551 Beijing CHINA DAILY in English 17 Mar 86 p 2

["Special to CHINA DAILY" by Lan Maofen]

[Text] The Beijing Machine-Building Industrial Corporation imported 70 items of foreign technology during the Sixth 5-Year Plan period (1980-85) making use of a variety of business techniques, including licensed production, compensation trade, co-operative production, and maintenance of joint officials with foreign partners in Beijing and abroad.

By the end of 1985, 40 percent of the Beijing corporation's products had been technically updated, the most in the industry throughout China.

Five years ago, only 33 of the corporation's 600 major products were up to international levels of the 1970's. The figure now is 338.

The Beijing Renmin Machinery Plant, one of the major manufacturers under the corporation, updated 70 percent of its products by importing from the U.S. three items of technology for making sheet-fed offset pressed.

Some of its presses now are up to international levels of the 80's.

Its presses have been best sellers at the Indian International Press Exhibition, which ended in New Delhi over the weekend. So far, the plant has received order from foreign firms for 11 presses valued at $770,000, officials from the plant said.

Beijing number one machine tool plant has been learning the techniques for making the world's top-rated milling machines by cooperating with Japan and West Germany in production and by participating in a joint company for making numerical-control machine tools in New York.

The plant also has introduced its own K-sized milling machine and developed simplified numerical-control, automatic milling machines and other precision instruments. Some have been exported to the U.S. and Japan.

Beijing switchgear factory developed and tested four new products within three years after studying 10 imported ship switchgears.

Technicians in the Beijing Insulating Materials Factory not only mastered the operation of an imported glueing machine, but improved it. It thus turned out its own copper-clad laminates at international standards, and at double the output of the imported machine. Large quantities were exported. Its foreign exchange earnings have been three times its total spending on imports and 10 times its investment in imported capital goods.

The corporation's factories have been increasing their use of computers in production and management. There are more than 147 computers in the 55 factories or institutions of the corporation, 45 percent more than in 1984.

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CSO: 4020/249

INDUSTRY

## DEVELOPMENT OF LEATHER INDUSTRY ENCOURAGED

OW190312 Beijing XINHUA in English 0254 GMT 19 Mar 86

[Text] Beijing, 19 Mar (XINHUA)--China should further develop its leather industry to meet the increasing demand for leather products, said today's PEOPLE'S DAILY.

The DAILY devoted half a page to the leather issue. Though China's leather shoe output has been growing an an annual increase rate of more than 10 million pairs since 1978, there were only 0.193 pairs of shoes last year for the average individual in the country. This was a figure even lower than those of other developing countries, said the DAILY.

The paper forecast a larger demand in China for leather shoes, clothing, trousers, and skirts.

China's annual tanning capacity is now as high as 50 million hides. The country at present has over 500 leather-processing factories.

To further develop the leather industry, the PEOPLE'S DAILY suggested that a coordinating body on a national level be set up for the industry. It also said small existing factories in the trade should be merged into large ones so that quality will be improved, production cost reduced, pollution controlled, and resources better used.

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CSO: 4020/249

INDUSTRY

## BRIEFS

ANHUI CEMENT OUTPUT GOAL--Hefei, 18 Mar (XINHUA)--Anhui Province will double cement output by 1990, with estimated annual production of 10 million tons, according to an announcement by provincial officials here today. The province produced 5.53 million tons of cement last year, 1.5 times the 1980 figure. Anhui has more than 2.3 billion tons of limestone, one of the largest such reserves in China. The province plans to become a front-ranking cement producing area by the end of the century and will be the major supplier for the Shanghai Economic Zone, one of China's most developed areas. Anhui is seeking foreign investment to help develop its cement industry. [Text] [Beijing XINHUA in English 0722 GMT 18 Mar 86 OW] /9274

JIANGXI CITY'S PROCELAIN EXPORTS--Jingdezhen City, 20 Mar (XINHUA)--Jingdezhen City, center of China's ceramic industry for more than 1,000 years, will double its exports to 150 million pieces of porcelain by 1990, a local official said today. Porcelain made in this east China city in Jiangxi Province is among the most prized in the world. "People treasure its elegant shape, its variety and its rich decoration," the official said. "They like its white jade color, its clearness adn chime-like resonance, its paper-thin quality." To boost the city's porcelain industry, China's central government has announced plans to invest more than 200 million yuan over the next 5 years for factory modernization. According to the local official, this will raise the quality of porcelain produced. [Text] [Beijing XINHUA in English 0735 GMT 20 Mar 86 OW] /9274

CSO: 4020/249

DOMESTIC TRADE

## RECORD BUSINESS AT TIANJIN COMMODITY FAIR

OW201220 Beijing XINHUA in English 1202 GMT 20 Mar 86

[Text] Tianjin, 20 Mar (XINHUA)—The total volume of business transacted at the Tianjin Commodity Fair reached 838 million yuan, a record high, a fair official here said today.

The 19-day fair, which closed here Wednesday, was attended by people from commercial departments and industrial enterprises from 28 provinces, municipalities and autonomous regions.

During the fair, Tianjin sold a total of 745 million yuan-worth of goods and purchased 73 million yuan-worth. Transactions involving more than 20 million yuan were concluded between other provinces, municipalities and autonomous regions.

The fair, aimed at extending inter-regional economic cooperation, saw commercial departments and industrial enterprises from other parts of the country clinch hundreds of deals.

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CSO: 4020/250

FOREIGN TRADE AND INVESTMENT

## OPEN POLICY BENEFITS FUJIAN COASTAL AREAS

OW181122 Beijing XINHUA in English 1047 GMT 17 Mar 86

[Text] Xiamen, 18 Mar (XINHUA)--China's open policy has doubled the industrial and agricultural output value of the coastal areas in Fujian Province over the past five years, provincial officials said here today.

The areas include the Xiamen Special Economic Zone, Fuzhou City, and the Southern Fujian triangular economic zone. The output value of the areas accounts for 60 percent of Fujian's total.

Projects conducted in the areas to introduce foreign funds account for 93 percent of Fujian's total, the officials added.

Fujian Province was opened to the outside world in 1980.

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CSO: 4020/250

FOREIGN TRADE AND INVESTMENT

## CHONGQING DEVELOPS TIES WITH FOREIGN COUNTRIES

OW230835 Beijing XINHUA in English 0816 GMT 23 Mar 86

[Text] Chongqing, 23 Mar (XINHUA)—Chongqing city in Sichuan Province has contracted for building projects, provided labour service, and opened joint ventures in foreign countries.

City officials said here today that the contracts, totalling 21 million U.S. dollars, were signed between Chongqing and countries including Burundi, Iraq, Libya, Malta, Somalia, Thailand, and the United States.

According to the contracts signed, the city will help construct two hospitals in Libya and build a cotton mill in Iraq.

Chongqing, the largest industrial and commercial city in southwest China, was designated by the state council as an "open city" in 1983.

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FOREIGN TRADE AND INVESTMENT

## ZHEJIANG PROVINCE ATTRACTS MORE FOREIGN VISITORS

OW141752 Beijing XINHUA in English 1640 GMT 14 Mar 86

[Text] Hangzhou, 14 Mar (XINHUA)--Tourism chiefs in Zhejiang Province are using the themes of love, nostalgia, religion and curiosity to attract more foreign visitors.

Honeymooners from overseas are invited to begin married life in the romantic setting of Hangzhou, one of China's most beautiful cities.

Buddhist pilgrims are encouraged to visit the province's many well-known ancient temples.

Educational trips are being laid on for foreign groups. And holiday makers yearning for a taste of life in China's past can visit a theme island in scenic West Lake, where buildings and costumes are in the style of the Ming Dynasty (1368-1644).

Now the Hangzhou Branch of the China International Travel Service (CITS) is planning more theme trips to boost tourism, said an official.

Last summer, nine groups of teachers and students from the United States joined educational trips, on which they studied Chinese calligraphy, painting, literature, history, education, economics and language, as well as visiting beauty spots.

At least 10 such groups from the U.S. and Australia have applied for similar holidays this year.

Since 1983, 3,000 Japanese Buddhists have visited temples in Hangzhou, Ningbo, in eastern Zhejiang, the Island of Putuoshan and Tiantai County.

Every year, about 150 Japanese couples spend their honeymoons at hotels where suites in traditional Chinese style are decorated with Chinese papercuts and nuts symbolizing good luck and fertility.

The CITS official said the province was visited by 200,000 foreigners last year. New themes to attract visitors, including trips to silkworm farms and the annual lantern festival, were being planned.

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SPECIAL ECONOMIC ZONES

## XIAMEN SEZ IMPORTS TO BOOST EXPORT ECONOMY

OW240920 Beijing XINHUA in English 0905 GMT 24 Mar 86

[Text] Xiamen, 24 Mar (XINHUA)--Xiamen special economic zone is stepping up efforts to attract foreign funds and technology in a bid to boost its export-oriented economy, said Vice-Mayor Wang Jinshui.

Imported foreign funds will be used mainly in the development of the food-processing, plastics, machine-building, textiles and chemical industries.

Xiamen, in Fujian Province, will import 100 items of advanced technology and equipment to modernize enterprises making goods for export.

Wang said the city, one of China's four special economic zones, would import trees and animals and set up joint livestock farms and orchards with foreign partners.

Xiamen had expanded foreign economic and technical co-operation with South-east Asia, the Middle East, Western Europe, Japan and the United States since 1980 when the zone was set up. Now the city was developing business links with Eastern European countries.

By the end of last year, 215 Sino-foreign joint ventures, co-operatives and enterprises backed solely by foreign investment had been proposed for Xiamen, and 107 had gone into operation.

Wang said the city had absorbed 226 million U.S. dollars of foreign funds over the past five years, and had imported 1,800 major technical items.

Xiamen's total industrial output value over the past five years had been equivalent to 78 percent of the figure for the entire 1949-1980 period, and living standards were improving rapidly.

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LABOR AND WAGES

## SURVEY REVEALS YOUNG PEOPLE'S ATTITUDE TOWARD JOB SELECTION

HK180825 Beijing CHINA DAILY in English 18 Mar 86 p 4

[Text] Young people in China want more than material comfort, and social status counts more in job selection than economic considerations, the China Institute of Economic Structural Reforms reports.

A survey made last summer by means of a questionnaire published in CHINESE YOUTH MAGAZINE reflects the young people's attitudes. It was based on 3,340 questionnaires drawn from the 76,000 that were returned to the magazine from all the provinces, autonomous regions and municipalities directly under the Central Government.

According to the survey, the young people believe that private entrepreneurs can make the most money, but rank them ninth in social status, while university students and postgraduates, who rank ninth in economic status, are considered highest in social status. This indicates that social and economic status are not the same in young people's minds, the survey analyst says.

Most young people seem dissatisfied with their income levels, since those surveyed, except for private entrepreneurs, high school and primary school teachers and the unemployed, considered their economic status lower than their social status.

Although many hope that the reforms currently underway will bring more opportunities to make money, they seem even more interested in being able to make greater use of their talents. Among the respondents, 94.6 percent believed that the "pursuit of ideals is more important than money" in contrast to the 14.6 percent who wrote "I'll do whatever job as long as I can make more money." Two-thirds said they want reputable jobs even if that means less income.

Following are percentages of those who chose certain answers: "I don't care if my life is not as stable as before so long as my income can increase and there's more opportunity to raise my social status," 50.9; "I don't like changes in prices and wages," 46.4; "The advantage of the 'big pot' system--equal payment--is that it keeps life stable," 10.7; "a stable life is boring," 69.5; "I don't like the environment where competition is tough." 32.7.

Risk and personal effort go hand in hand, the analyst comments. People's initiative tends to be zero in a society where there is neither risk nor opportunity. And the reforms have produced both. The results of the survey indicate that today's Chinese youth believe in their ability.

The fact that most of the respondents are willing to compete and meet demands for higher efficiency shows the liberation of the national spirit in the new generatin, the analyst says, adding that this may help the whole society develop more vitality.

According to the survey, those more optimistic about life are more willing to work hard and take risks, to study in universities or work as enterprise managers, technicians, private entrepreneurs, and employees of collectively owned enterprises, and are less likely to choose to become government officials, workers or employees of service business.

The survey also shows that young people usually consider the desirability of a job in the following order: First, opportunities to demonstrate ability; second, chances to learn more; third, social status, forth, stability; fifth, salary and sixth, ease of work.

One-third of the respondents were workers, farmers or service employees, a fifth were government officials and 6.6 percent were university students or postgraduates.

Women made up 30.4 percent of the total.

Those with high school or vocational training school backgrounds made up 61.2 percent, while graduates of higher education institutions numbered 20.4 percent.

Most respondents--91.3 percent--were between the age of 16 and 30, and their educational levels were higher than the country's average. No soldiers were interviewed.

Therefore, the survey analyst reminds the results only apply to those groups, not to the whole society.

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LABOR AND WAGES

## BRIEFS

COUPLES REUNITED--Beijing, 19 March (XINHUA)--Married couples in Beijing, Tianjin and Shanghai, whose government jobs have located them in different cities will soon be reunited, according to the "Chinese Labor and Personnel News." The labor and personnel bureaus of the three municipalities are making a study of the separated couples and will hold a meeting in Shanghai next week to solve the reunification problem. According to a 1980 report, the problem affects about half a million couples nationwide. [Text] [Beijing XINHUA in English 0900 GMT 19 Mar 86 OW] /12913

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POPULATION

QIQIHAR BECOMES NATIONAL FAMILY PLANNING MODEL

OW141304 Beijing XINHUA in English 1220 GMT 14 Mar 86

[Text] Harbin, 14 Mar (XINHUA)--A new approach of helping cure sterility with advocacy of birth control has paid off in reduced birth rates in a northeast China city.

The natural population growth rate and birth rate in Qiqihar, Heilongjiang Province, are 0.51 percent and 0.97 percent, respectively, both 0.34 percent lower than the state-stipulated quotas.

Qiqihar is now a national model for population control.

The city government used to pay sole attention to birth control measures to the negligence of sterility problems, which caused agony for many families, according to local officials.

From 1983, the city government, while implementing birth control programs, began to provide treatment for those women who suffered from sterility.

Among 2,000 sterile women who have been given treatment, 230 have given birth and another 100 are pregnant.

One example is Liu Yuqin, a woman who has failed to give birth to a baby seven years after she got married.

Sympathetic company officials sent her to Beijing for treatment and paid her travel and medical expenses.

Liu is now the proud mother of a son, the officials said.

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## FAMILY PLANNING HELPS JIANGSU PROVINCE PROSPER

OW230304 Beijing XINHUA in English 0203 GMT 23 Mar 86

[Text] Nanjing, 23 Mar (XINHUA)--Jiangsu Province's economic expansion is outstripping its population growth by 18 to one, according to official statistics released today.

Over the past five years, the population has increased at an annual average of 0.83 percent, while the yearly growth of gross industrial and agricultural output value has averaged 15.3 percent, the figures from the provincial statistics bureau show.

China's family planning policy is aimed at co-ordinating economic and population growth and raising living standards, said a provincial family planning committee official.

Jiangsu, the home of 61,920,000 people, is one of China's most densely-populated provinces, with an average of 605 people per square kilometer.

Over the past five years, 670,000 fewer babies were born than in the previous five-year period, while gross output value doubled to 126.9 billion yuan.

Because the production growth rate is much higher than the birthrate, living standards are improving rapidly, especially in the poorer rural areas, said the family planning official.

So far, 1,700 of the country's 2,300 counties have set up family planning centres to advise on birth-control measures.

The official said measures were being stepped up and a new five-year population plan was being compiled because the province now faced the problem of a new baby boom.

Between now and 1990, the number of people reaching child-bearing age would increase by 30 percent over the previous five years.

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**POPULATION**

CHILDRENS INCREASE IN GROWTH SEEN DUE TO ONE-CHILD POLICY

OW151102 Beijing XINHUA in English 0731 GMT 15 Mar 86

[Text] Shanghai, 15 Mar (XINHUA)--Shanghai's six-year-old boys are 1.32 kg heavier and 1.71 cm taller than they were ten years ago.

This is the result of a sample survey in 1985 on 35,000 Shanghai children below the age of seven, including 15,000 from the countryside around China's most industrialized city. Shanghai has a population of 12 million.

It shows that in 1985 six-year-old boys weighed 20.71 kg, and were 117.5 cm tall, on average, compared with 19.39 kg and 115.87 cm in 1975.

And seven-month-old babies weighed 8.7 kg and were 70 cm tall, as against 8.36 kg and 68.96 cm in 1975.

Local doctors say that this is owing to the improved living conditions, medical service and more physical exercise which have accompanied the success of the "one-child" policy. "Parents pay great attention to the nutrition of an only child," one doctor said.

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## GOVERNMENT TO EASE CONTROL ON FOREIGN BANKS

OW210315 Taipei CNA in English 0257 GMT 21 Mar 86

[Text] Taipei, 20 Mar (CNA)--The Executive Yuan has decided to direct the Finance Ministry and the Central Bank of China to work out feasible ways to loosen control over foreign banks business operations in the Republic of China.

The decision was made in a cabinet meeting Thursday for discussion of a proposal by the Economic Renovation Committee, a temporary consultative organization which opened last May and concluded late last year, to internationalize the domestic banking operations.

In addition to easing control over the business operations of foreign banks, the committee also brought up other suggestions such as:

-- Allowing domestic banks specializing in foreign exchange operations to set up branches, offices or affiliated organizations in international monetary centers or foreign cities where Chinese are centered;

-- Allowing people here to invest in foreign exchange markets through certain domestic banks.

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## PER CAPITA GNP TO RISE AGAINST DOLLAR IN FY 87

OW240441 Taipei CNA in English 0254 GMT 24 Mar 86

[Text] Taipei, 22 Mar (CNA)--The per capita gross national product will rise 7.28 percent to more than NT dollar 139,170, or U.S. dollar 3,460 in the coming fiscal year, from NT dollar 129,730 in the current fiscal year, Chung Shih-yi chief of the Directorate General of Budget, Accounting and Statistics, said Friday.

The implementation of the value-added tax will probably push market prices higher by 1 to 2 percent, but the lower oil prices will ease the possible impact, he said, reporting to the Legislative Yuan on the nation's fiscal 1987 general budget.

He estimated, therefore, that both consumer and commodity price indices are expected to rise by 2.62 percent and 1.8 percent respectively in the coming fiscal 1987 while those in the current fiscal year will probably diverge, the first going higher by 0.55 percent and the latter moving downward by 1.13 percent.

On the nation's economic prospects this year, he said the declining american dollar will stimulate the economic development in the United States, and the depreciation of the greenback-pegged new Taiwan dollar against the Japanese yen and european currencies will raise the nation's exports.

The nation's economy has started to become more active and rise from the bottom since the fourth quarter of last year and turned to the better in February as the government has improved the domestic investment climate and undertaken part of the 14 key construction projects, Chung said.

Estimating on the supply and demand of national resources last November, he said national economic growth may reach 5.78 percent in fiscal 1986 and 6.05 percent in fiscal 1987. He said, however, the better-than-expected economic performance in the past months will result in higher economic growth in the fiscal 1986-87 period.

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## PREMIER EXPLAINS FISCAL 87 BUDGET RATIONALE

OW210341 Taipei CNA in English 0312 GMT 21 Mar 86

[Text] Taipei, 21 Mar (CNA)--The Central Government's budget for Fiscal 1987 was compiled according to the nation's present situation with the aim of accomplishing goals of the long-term national development, Premier Yu Kuo-hwa said Friday.

In an oral report to the Legislative Yuan on how the Executive Yuan compiled its budget for Fiscal 1987, Yu said the budget was aimed at boosting overall national strength, increasing people's welfare and maintaining social prosperity and stability.

He said the ROC's economy is expected to grow by 5.78 percent in Fiscal 1986 and over 6 percent in Fiscal 1987 due to the continued increase of exports, fall of international oil prices and devaluation of the U.S. dollar against major currencies.

In Fiscal 1987, the Government's revenues from taxes and tariffs are expected to decrease as a result of the implementation of a freer and more liberal economic policy, he said.

In the face of a difficult financial situation, the Government is still determined to maintain an appropriate growth of its budget in order to carry on with the 14 major construction projects. To achieve this goal, the Government will make more efforts to cut back on its routine expenditures and issue more government bonds, Yu said.

Yu pointed out that the Fiscal 1987 Budget was especially designed to stimulated domestic investment willingness by increasing public investment. In Fiscal 1987, the investment in the 14 major projects will total NT dollar 101.3 billion (U.S. dollar 2.53 billion), which is 39 percent more than the figure in 1986, he said.

Meantime, the central and local governments will issue construction bonds totaling NT dollar 52.5 billion to support various public investment projects around the island, he said.

Yu said the main aims of the budget are to strengthen defense and diplomatic operations, push ahead economic development projects, promote educational, cultural and technical development and to enhance social welfare.

He also indicated that the Government did not authorize funding in its budget to raise the salaries of government employees in Fiscal 1987 in view of the stability of domestic commodity prices and the Government's Financial difficulties.

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## BRIEFS

1985 BICYCLE EXPORTS--Taipei, 19 Mar (CNA)--The Republic of China [ROC] exported 7.05 million bicycles in 1985 earning for the nation a record high foreign exchange of U.S. dollar 308 million. The annual value of ROC-EXPORTED bicycles exceeded U.S. dollar 300 million for the first time. An official with the Economics Ministry pointed out that the ROC has been the number one bicycle exporting country in the world since 1980 when its export of bicycles exceeded three million. The United States is the largest market for the ROC-made bicycles, consuming 67.9 percent of its total exports, the official said. [Text] [Taipei CNA in English 0243 GMT 20 Mar 86 OW] 12624

TAIPOWER USE OF PROFITS--Taipei, 19 Mar (CNA)--Economics Minister Lee Ta-hai said Wednesday the Taiwan Power Company will first use its profits to pay foreign loans to strengthen its financial standing before considering to lower power rates. The Economics Ministry has directed Taipower to study in detail whether it is able to cut power rates after making rational adjustment of the ratio between assets and debts, Lee said, replying to an interpellation by legislators Wu Hsien-Erh and Chang Chien-hua at the Legislative Yuan's Economic Affairs Committee meeting Wednesday. Taipower has borrowed lots of money from foreign banking organizations to develop power resources in the country and the debts accounted for about half of the foreign loans the government has obtained, the minister said. Taipower must pay the debts first with its profits to raise the level of its assets, he said. [Text] [Taipei CNA in English 0240 GMT 20 Mar 86 OW] 12624

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